TAB 30

Financial Accounting Standards Board

ORIGINAL PRONOUNCEMENTS

AS AMENDED

Statement of Financial Accounting Standards No. 107

Disclosures about Fair Value of Financial Instruments

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Disclosures about Fair Value of Financial Instruments

STATUS

Issued: December 1991

Effective Date: For fiscal years ending after December 15, 1992

Affects: Amends FAS 105, paragraph 6 and footnotes 2 and 3

Affected by: Paragraph 4 deleted by FAS 133, paragraph 531(a)
Paragraphs 5 and 6 deleted by FAS 157, paragraphs E14(a) and E14(b), respectively
Paragraph 7 amended by FAS 126, paragraph 5
Paragraph 8(a) amended by FAS 112, paragraph 11; FAS 123, paragraph 389; and FAS 123(R), paragraph D4
Paragraph 8(b) replaced by FAS 125, paragraph 240(a), and FAS 140, paragraph 361(a)
Paragraph 9 amended by FAS 157, paragraph E14(c)
Paragraph 10 amended by FAS 119, paragraph 15(c); FAS 133, paragraphs 531(b) and 531(c); and FAS 157, paragraph E14(d)
Paragraphs 11 and 18 through 29 deleted by FAS 157, paragraphs E14(e) and E14(f), respectively
Paragraph added after paragraph 13 by FAS 119, paragraph 15(d), and replaced by FAS 133, paragraph 531(c)
Paragraphs 15A through 15D added by FAS 133, paragraph 531(d)
Paragraph 28 amended by FAS 125, paragraph 240(b), and FAS 140, paragraph 361(b)
Paragraph 30 amended by FAS 157, paragraph E14(g)
Paragraph 31 amended by FAS 133, paragraph 531(c), and FAS 157, paragraph E14(h)

Other Interpretive Pronouncement: FIN 45

Other Interpretive Releases: FASB Special Report, *Illustrations of Financial Instrument Disclosures* (Nullified by FAS 133)
FASB Staff Position SOP 94-6-1

AICPA Accounting Standards Executive Committee (AcSEC)

Related Pronouncement: SOP 01-6

Issues Discussed by FASB Emerging Issues Task Force (EITF)

Affects: No EITF Issues

Interpreted by: Paragraph 10 interpreted by EITF Topic No. D-69
Paragraph 16 interpreted by EITF Topic No. D-29

Related Issue: EITF Issue No. 02-3

separate intangible assets, not financial instruments. For deposit liabilities with no defined maturities, the fair value to be disclosed under this Statement is the amount payable on demand at the reporting date. This Statement does not prohibit an entity from disclosing separately the estimated fair value of any of its nonfinancial intangible and tangible assets and nonfinancial liabilities.

13. For trade receivables and payables, no disclosure is required under this Statement when the carrying amount approximates fair value.

13A. In disclosing the fair value of a financial instrument, an entity shall not net that fair value with the fair value of other financial instruments—even if those financial instruments are of the same class or are otherwise considered to be related, for example, by a risk management strategy—except to the extent that the offsetting of carrying amounts in the statement of financial position is permitted under the general principle in paragraphs 5 and 6 of FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts,* or the exceptions for master netting arrangements in paragraph 10 of Interpretation 39 and for amounts related to certain repurchase and reverse repurchase agreements in paragraphs 3 and 4 of FASB Interpretation No. 41, *Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements.*

14. If it is not practicable for an entity to estimate the fair value of a financial instrument or a class of financial instruments, the following shall be disclosed:

a. Information pertinent to estimating the fair value of that financial instrument or class of financial instruments, such as the carrying amount, effective interest rate, and maturity
b. The reasons why it is not practicable to estimate fair value.

15. In the context of this Statement, *practicable* means that an estimate of fair value can be made without incurring excessive costs. It is a dynamic concept: what is practicable for one entity might not be for another; what is not practicable in one year might be in another. For example, it might not be practicable for an entity to estimate the fair value of a class of financial instruments for which a quoted market price is not available because it has not yet obtained or developed the valuation model necessary to make the estimate, and the cost of obtaining an independent valuation appears excessive considering the materiality of the instruments to the entity. Practicability, that is, cost considerations, also may affect the required precision of the estimate; for example, while in many cases it might seem impracticable to estimate fair value on an individual instrument basis, it may be practicable for a class of financial instruments in a portfolio or on a portfolio basis. In those cases, the fair value of that class or of the portfolio should be disclosed. Finally, it might be practicable for an entity to estimate the fair value only of a subset of a class of financial instruments; the fair value of that subset should be disclosed.

Disclosure about Concentrations of Credit Risk of All Financial Instruments

15A. Except as indicated in paragraph 15B, an entity shall disclose all significant concentrations of credit risk arising from *all* financial instruments, whether from an individual counterparty or groups of counterparties. *Group concentrations* of credit risk exist if a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The following shall be disclosed about each significant concentration:

a. Information about the (shared) activity, region, or economic characteristic that identifies the concentration
b. The maximum amount of loss due to credit risk that, based on the gross fair value of the financial instrument, the entity would incur if parties to the financial instruments that make up the concentration failed completely to perform according to the terms of the contracts and the collateral or other security, if any, for the amount due proved to be of no value to the entity
c. The entity's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the entity's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments
d. The entity's policy of entering into master netting arrangements to mitigate the credit risk of financial instruments, information about the arrangements for which the entity is a party, and a brief description of the terms of those arrangements, including the extent to which they would reduce the entity's maximum amount of loss due to credit risk.

15B. The requirements of the preceding paragraph do not apply to the following financial instruments, whether written or held:

a. Financial instruments of a pension plan, including plan assets, when subject to the accounting and reporting requirements of Statement 87[3b]
b. The financial instruments described in paragraphs 8(a), 8(c), 8(e), and 8(f) of this Statement, as amended by FASB Statements No. 112, *Employers' Accounting for Postemployment Benefits,* No. 123, *Accounting for Stock-Based Compensation,* and [No. 140], except for reinsurance receivables and prepaid reinsurance premiums.

Encouraged Disclosure about Market Risk of All Financial Instruments

15C. An entity is encouraged, but not required, to disclose quantitative information about the market risks of financial instruments that is consistent with the way it manages or adjusts those risks.

15D. Appropriate ways of reporting the quantitative information encouraged in paragraph 15C will differ for different entities and will likely evolve over time as management approaches and measurement techniques evolve. Possibilities include disclosing (a) more details about current positions and perhaps activity during the period, (b) the hypothetical effects on comprehensive income (or net assets), or annual income, of several possible changes in market prices, (c) a gap analysis of interest rate repricing or maturity dates, (d) the duration of the financial instruments, or (e) the entity's value at risk from derivatives and from other positions at the end of the reporting period and the average value at risk during the year. This list is not exhaustive, and an entity is encouraged to develop other ways of reporting quantitative information.

Effective Dates and Transition

16. This Statement shall be effective for financial statements issued for fiscal years ending after December 15, 1992, except for entities with less than $150 million in total assets in the current statement of financial position. For those entities, the effective date shall be for financial statements issued for fiscal years ending after December 15, 1995. Earlier application is encouraged. In the initial year of application of this Statement, it need not be applied to complete interim financial statements.

17. Disclosures required by paragraphs 10–14 that have not previously been reported need not be included in financial statements that are being presented for comparative purposes for fiscal years ending before the applicable effective date of this Statement for an entity. For all subsequent fiscal years, the information required to be disclosed by this Statement shall be included for each year for which a statement of financial position is presented for comparative purposes.

The provisions of this Statement need not be applied to immaterial items.

This Statement was adopted by the unanimous vote of the six members of the Financial Accounting Standards Board:

Dennis R. Beresford, *Chairman*	Victor H. Brown	A. Clarence Sampson
Joseph V. Anania	James J. Leisenring	Robert J. Swieringa

[3b]Financial instruments of a pension plan, other than the obligations for pension benefits, when subject to the accounting and reporting requirements of FASB Statement No. 35, *Accounting and Reporting by Defined Benefit Pension Plans,* are subject to the requirements of paragraph 15A.